Supreme Court of the

No. 708.

October Term, 1946.

CLARK & CLARK, CHARLES L. MORRIS, and ROBERT BRINTON MORRIS, Trading as PROFESSIONAL LABORATORIES,

Petitioners,

v.

SMITH, KLINE & FRENCH LABORATORIES,

Respondent.

PETITION FOR REHEARING OF ORDER DENYING WRIT OF CERTIORARI.

ARTHUR G. CONNOLLY,
Counsel for Petitioners.

International, 236 Chestnut St., Phila. 6, Pa.

INDEX.

TABLE OF CASES CITED.

IN THE

Supreme Court of the United States.

No. 708. October Term, 1946.

CLARK & CLARK, CHARLES L. MORRIS, and ROBERT BRINTON MORRIS, Trading as PROFESSIONAL LABORATORIES,

Petitioners,

v.

SMITH, KLINE & FRENCH LABORATORIES,

Respondent.

PETITION FOR REHEARING OF ORDER DENYING WRIT OF CERTIORARI.

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

This petition is based upon the grounds that three of the questions raised by the application for a writ of certiorari affect hundreds of thousands of patents now in force, as well as every chemical patent application now pending in the United States Patent Office. Thus, it is believed that these questions impinge upon the daily lives of all the people, since the monopolies granted on medicines (and chemicals generally) make possible the exorbitant prices which must be paid for these products. In our prior petition we discussed these issues from the standpoint of the private litigants, but in the following summary we consider them primarily from the public standpoint.

These questions are tabulated in our petition (p. 6) as Nos. 1, 2 and 5. They raise the following fundamental issues:

A. Where a claim covers many chemicals can it be restricted by disclaimer to a few chemicals, or their uses? If not, can the disclaimer be ignored?

B. If a claim violates R. S. 4888 may the court save it, by restricting it to a single useful compound among the thousands claimed?

C. When the patent owner, by agreement, fixes both the use and resale price of the patented article, can a competitor be enjoined from infringing the patent?

QUESTION A.

This Court, in *Altoona Publix Theatres v. American Tri-Ergon,* 294 U. S. 477, 490-91, and *Milcor Steel Co. v. Fuller Co.,* 316 U. S. 143, 148, held that a patent for a mechanical combination could not be rewritten by a disclaimer which adds a new element to the combination originally claimed. Unfortunately, these cases were concerned with mechanical combinations, and it is not clear from their language whether chemical patents may be rewritten by a disclaimer which merely excludes chemicals from the original claims, or directs them to a new use. As a result, American industry still does not know whether a disclaimer is valid which rewrites a claim without adding a new element to the original combination. The lower courts have further confused the issue by drawing diametrically opposing conclusions from these decisions.

In the case at bar the Circuit Court of Appeals for the Third Circuit, despite the *Milcor* case, has sustained a claim which was rewritten by an interpretative disclaimer. Yet the Circuit Court of Appeals for the Second Circuit has held that the *Milcor* case forbids all interpretative disclaimers and requires the defective claims to be disclaimed *in toto, Foxboro Company v. Taylor Instrument Company* (1946), 157 F. (2d) 226, 232.

It is vitally important to American industry and the administration of our patent laws to know whether an in-

terpretative disclaimer is ever valid and, if so, under what circumstances it is permissible. That question is squarely presented in the case *sub judice.*

The patent at bar when originally issued covered as new compositions of matter all salts of 1-phenyl-2-amino-propane (R. 13, 66). By disclaimer this patent was changed to cover only those salts useful "as a physiologically active therapeutic agent capable of producing effects in animals and man similar to the effect of salts of ephedrine" (R. 66). This involved a substantial change in the original claims. However, the District Court held that the *Milcor* case was inapplicable because here no new element was added to the original claims (R. 119).

In affirming the District Court on this phase of the case, the Court of Appeals added further confusion to the problem, by holding that a disclaimer was not irrevocable, but might be ignored where necessary to sustain a patent (our supporting brief, pp. 12-13).

The disclaimer statute today is a source of greater danger to the public than any other provision in the entire realm of patent law. To function effectively American industry must know whether it is infringing patents and, if so, whether the patents are valid. Such knowledge is impossible in the face of this statute as it has been construed by the courts. Under the statute, a patentee may at any time file a paper drawn up by his solicitor and make a new patent for himself. The paper takes effect immediately upon being filed, without any consideration by the Patent Office. Furthermore, the disclaimer gives effect to the revised claims from the date of the original patent, and may overnight transform it into a serious threat to any industry.

The importance of this issue cannot be minimized.

QUESTION B.

The question of breadth of claims is peculiarly applicable to chemical cases where the practice throughout the years has been to claim entire classes of chemical com-

pounds. These classes are of vast scope, generally encompassing thousands of theoretically possible compounds, all of which are represented as having certain desirable properties. At best, the patentee has made, and the patent discloses, but a few compounds in support of the broad class for which the monopoly was granted.

It is a matter of common knowledge that medicinal and chemical properties are highly specific and seldom, if ever, are they possessed by an entire class of chemical compounds. Since the great majority of the claimed compounds have never been tested—or even made—by the patentee it is obvious that his representations as to their properties are sheer speculation. Yet, on the basis of such speculation, he acquires a monopoly for seventeen years over the untold thousands of compounds embraced within his broad claims.

Patent claims of this type have serious consequences for the chemical and medical professions as well as the public. First of all, they mislead the public with their inaccurate representations that broad classes of chemical compounds are therapeutically beneficial. When these statements are made in a patent, authorized by the United States Government, they unfortunately receive undue credence by the public.

More importantly, they handicap chemical and medical research which is vital to the public welfare, because investigations conducted anywhere within the broad fields preempted by the patent claims are likely to result in litigation, if they are fruitful. This is so, even though the compounds investigated were never tested or described (except in all-inclusive language) by the patentee. When it is considered that the synthesis, and the laboratory and clinical testing of even a single chemical compound, may require the expenditure of thousands of dollars and a year or more of the investigators' time, this is an obstacle which cannot be minimized. There is too little money and too few skilled investigators to squander on programs of this type. Yet,

many of the most promising fields of investigation now lie within the broad claims of numerous issued patents.

If, through extensive and expensive independent investigation, it is established that one compound of the myriad claimed is of value the patentee alone reaps the reward of this discovery, to which he contributed little or nothing. The investigators and their sponsors cannot make use of the discovery without the permission of the patentee, and this is generally refused or conditioned on unacceptable terms. Likewise, the patentee is then in a position to exact exorbitant profits from the public and the chemical and medical professions. In the case at bar respondent has sold millions of dollars worth of its Benzedrine Sulfate tablets, at a price of $22.00 per thousand. This is a mark-up of more than *four thousand* percent over its cost price (R. 29). The patentee is allowed to reap where, at best, he has sown nothing but a rash prediction—which may be erroneous for most of his claimed compounds. As long as the patent covers the chemical compound in question there is no alternative to this dilemma, except to assume the risk of litigation. This has been a greater handicap to chemical and medical research than any other single factor.

It is submitted that patents dealing with chemical compounds should be required to maintain the most rigorous standard of accuracy and completeness. Furthermore, their claims should be limited specifically to those compounds which have actually been tested and found to possess the desired properties. Any departure from these standards should result in loss of the presumption of validity, and prompt invalidation of the patent. If the patent on its face claims more compounds than the patentee made and tested it should be presumptively invalid.*

---

* This may appear to be a revolutionary doctrine, but the lower courts are now groping towards it in an attempt to curtail the abuses referred to above. See *Schering Corp. v. Gilbert* (2 Cir., 1946), 153 F. (2d) 428, 433, which supports such a holding. Compare *Minnesota Mining & Mfg.*

Unfortunately, this vitally important issue has never been adjudicated by this Court, so the vicious practice of monopolizing virtually limitless chemical fields continues unabated. Now that we are on the threshold of a great post-war expansion in the chemical and medical fields it is of critical importance that this practice be summarily halted, and the thousands of patents which presently obstruct this expansion be declared presumptively invalid.

The patent at bar is a classic example of this abuse, and the evils which flow from it. It specifically describes but two chemical compounds (R. 63). Yet, its claim 1 embraces every compound formed by neutralizing an old base (amphetamine) with each of the thousands of inorganic and organic acids (R. 13, 66). This means that every salt of amphetamine has been preempted by the patent, although the patentee had tested no more than two of these compounds. His representation of therapeutic properties with respect to all other amphetamine salts was no more than rank speculation.

It should be noted that even as to the hydrochloride and sulphate salts specifically described in the specification, the patentee's representation was far from accurate. He represented these salts as having ephedrine-like properties (R. 63). Actually, they are of value because of properties which are not generally attributed to ephedrine (R. 308, Finding 49) and which were established by independent investigation *subsequent* to the issue of the patent. Yet, this patentee has monopolized the entire field of amphetamine salts since September, 1932. Instead of being penalized for the unwarranted breadth of his claim 1, he has been rescued and rewarded by a judicial redrafting of this claim which

---

Co. v. Carborundum Co. (3 Cir., 1946), 155 F. (2d) 746, 750, which holds a claim to a chemical class invalid as a matter of law when it is based on a specification disclosing but a few compounds "as a springboard for the claiming of an entire genus." (In the case at bar, the court below ignored the doctrine just established by it in the foregoing *Carborundum* case.)

now limits it to the single compound of greatest present-day therapeutic utility (our supporting brief, pp. 13-18).

This decision, instead of curtailing the abuses referred to above, lends support and encouragement to them.

QUESTION C.

Since 1941 respondent has been misusing the patent at bar to illegally control the patented product in the hands of purchasers. This is indisputable from a consideration of the so-called license agreement, which has just come to petitioners' attention and is printed in full as Exhibit A in the appendix hereto. Section 2 of this agreement requires the purchaser-"licensee" to sell the patented product in the veterinary field only. Sections 4 and 5 fix the **resale** price of the patented product, and otherwise control its sale.

This is a flagrant abuse of the patent monopoly, condemned by this Court on numerous occasions. See, for example, *Bloomer v. McQuewan*, 55 U. S. 539, 549; *Adams v. Burke*, 84 U. S. 453, 455; *Hobbie v. Jennison*, 149 U. S. 355, 361; *Bauer v. O'Donnell*, 229 U. S. 1, 17; *Boston Store v. American Graphophone Co.*, 246 U. S. 8, 25. Of particular interest in this connection are the dissenting opinions of Mr. Justice Black in *General Talking Pictures Corp. v. Western Electric*, 304 U. S. 175, 183, and 305 U. S. 124, 128.

The illegality of this agreement was acknowledged by respondent *two weeks ago* in a modifying letter which purports to eliminate the illegal paragraphs, and which is printed in full in the appendix as Exhibit B. After more than five years of illegal conduct, during which respondent has successfully enforced its patent in the courts—because this contract was never before available for consideration by the courts—respondent attempts to evade the penalty for its acts by a last-minute amendment. The evils flowing from these illegal controls will continue until the patent expires in 1949, regardless of the abortive amendment. Enforcement of this patent in any court should, therefore, be

precluded. *B. B. Chemical Co. v. Ellis*, 314 U[illegible]5, 498; *Mercoid Corp. v. Mid-Continent Investment C*[illegible] U. S. 661, 670.

After enjoying the fruits of its avowedly[illegible]al conduct during the entire period of this action, ma[illegible]ondent now benefit from a decree enjoining its com[illegible]s from infringing this patent? If so, this will be the[illegible]time in many years that a patent owner, guilty of fixi[illegible] resale price of the patented product, has been permitt[illegible]nforce its patent in the courts.

WHEREFORE, your petitioners respectfully[illegible] that a writ of certiorari issue to the United States[illegible] Court of Appeals for the Third Circuit, in order t[illegible]is case may be reviewed and its manifest errors be c[illegible]ed.

Respectfully submit[illegible]

ARTHUR G. Co[illegible]
Counsel fo[illegible]*tioners.*

January 16, 1947

Appendix.

EXHIBIT A.

MEMORANDUM OF AGREEMENT made this 28th day of April, 1941, between SMITH, KLINE & FRENCH LABORATORIES, a Corporation of the State of Pennsylvania, hereinafter called "SKF", of the first part, and ALLIED LABORATORIES, INC., a Corporation of the State of Delaware (Pitman Moore Division), hereinafter called "PM", party of the second part.

WHEREAS, SKF is the owner of United States Letters Patent Number 1879003 granted September 27, 1932 for salts of 1-phenyl-2-aminopropane, for use as therapeutic agents, the common name for which product is amphetamine; and "Benzedrine" is the registered trade mark name for SKF's brand of said product; and

WHEREAS, PM is a distributor of drugs to the veterinary trade and desires to be made exclusive distributor of amphetamine sulfate to the veterinary trade in the United States and its Territories.

NOW THIS AGREEMENT WITNESSETH that the parties have mutually agreed as follows:

(1) SKF hereby appoints PM to be exclusive distributor of amphetamine sulfate to the veterinary trade in the United States and its Territories. SKF covenants that while this contract is in force SKF will not knowingly sell or distribute amphetamine sulfate for veterinary use in the United States and its Territories except through PM.

(2) PM covenants and agrees that it will use its customary facilities and endeavor to market and distribute amphetamine sulfate to the veterinary trade. PM expressly covenants that it will not sell, offer for sale or advertise said product except to veterinarians,

veterinary colleges, veterinary hospitals and veterinary supply houses. All other fields are reserved to SKF.

(3) SKF will sell amphetamine sulfate to PM in crystal form, packed in moisture proof containers. PM will prepare and package a solution of the product for veterinary use.

(4) The initial product to be offered by PM, its selling price, form, strength of solution and size of package shall be subject to the approval of SKF.

(5) Any change which PM may desire to make in selling price, form of product, strength of solution or size of package shall be subject to approval of SKF.

(6) The minimum price for amphetamine sulfate crystals shall be Two hundred fifty Dollars ($250.00) per kilogram.

This price is based upon the following schedule of prices for a 5% solution of amphetamine sulfate in 30 cc vials:

Net to the Veterinary—
per single vial—$2.07 each vial
½ doz. vials — 1.96 " "
1 doz. vials — 1.87 " "
Net to Distributors—
per single vial—$1.38 each vial

If there shall be an increase in the amount received by PM for the amount of amphetamine sulfate in solution, there shall be a proportionate increase in the price to be paid by PM for amphetamine sulfate crystals. There shall be no decrease in price for amphetamine sulfate crystals below Two hundred and fifty Dollars ($250.00) per kilogram.

(7) PM covenants and agrees that it will not at any time, during the term of this contract or after its termination, use or infringe upon the name "Benzedrine". PM will adopt its own trade name for

amphetamine sulfate distributed by it, which name shall not resemble "Benzedrine", and PM will market its product under PM's trade name, and as a brand of amphetamine sulfate.

The name "Smith, Kline & French Laboratories" shall not be mentioned on the label or in the literature or advertising put out by PM; except that PM may mention in its literature that amphetamine sulfate was first offered for use in the field of medicine for human beings by Smith, Kline & French Laboratories under their brand name "Benzedrine Sulfate", provided the written approval of SKF to the wording of such reference shall be obtained before any reference is made in the literature put out by PM.

(8) PM will submit their product to the United States Food and Drug Administration as a new drug, using PM's toxicity tests as well as such tests as SKF may make available for that purpose. The form and content of such submission shall be subject to the prior approval of SKF.

(9) In the event of any criticism from Federal or State authorities or from the American Medical Association respecting the product, labels, literature or advertising put out by PM, immediate notice thereof shall be given by PM to SKF; and if any such criticism is made, all labels, literature and advertising by PM of said product shall be subject to the approval of SKF.

(10) SKF will save PM harmless from any loss which PM may sustain upon suits or claims for patent infringements in connection with the said product supplied by SKF. Notice thereof to be promptly given by PM to SKF. Furthermore, PM will promptly advise SKF of any infringement of the SKF patent by others which comes to its attention and in such case SKF will take such action as will in its discretion best protect the interests of SKF and PM in said product.

(11) This contract shall be for a term of five years and it shall continue thereafter until either party shall give to the other six months prior notice of its intention to terminate the contract upon the date specified in such notice.

(12) All notices and approvals to be given under the terms of this contract shall be in writing and shall be given by sending the same registered mail. Notices shall be sent to Smith, Kline & French Laboratories at 105 North Fifth Street, Philadelphia, and to Allied Laboratories, Inc., Pitman Moore Division, at 1200 Madison Avenue, Indianapolis, Indiana. The date of the mailing shall be considered to be the date of giving of such notice.

IN WITNESS WHEREOF the parties have caused this agreement to be duly executed by their proper officers and their respective corporate seals to be hereunto affixed the day and year aforesaid.

SMITH, KLINE & FRENCH LABORATORIES

By O. J. MAY
V. P.

Attest:

J. L. MCCURDY
Asst. Secretary

Corporate Seal

ALLIED LABORATORIES, INC.

By C. N. ANGST
Treas.

Attest:

F. V. HAWKINS
Asst. Secy.

Corporate Seal

EXHIBIT B.

Letterhead of

SMITH, KLINE & FRENCH LABORATORIES
Fifth and Arch Streets,
Philadelphia 5, Pa.

December 26, 1946

Allied Laboratories Inc.
Pitman Moore Division
1200 Madison Avenue
Indianapolis, Indiana

Attention: Mr. C. N. Angst

Dear Sirs:

As you know, we have litigation pending against infringers of our Amphetamine patent, and it has been suggested that our contract with you in some way improperly restrains your handling of our product.

As you well know, from your years of experience with us, we have no intention or desire to in any way restrict you in the conduct of your business and, in fact, never have done so; but in order to make the matter absolutely clear, we suggest that we mutually agree to eliminate paragraphs (2) (4) and (5) of our contract of April 28, 1941. Our contract will then certainly conform to what has been our actual intent and practice. If this is agreeable to you, kindly sign one copy of this letter and return to us.

Very truly yours,
SMITH, KLINE & FRENCH LABORATORIES
O. J. MAY
O. J. May
Vice President

Agreed to
Allied Laboratories, Inc.
By: C. N. ANGST, Treasurer.

Dec. 31, 1946.